



U.S. Department of State FY 2001 Country Commercial Guide: Gabon

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TABLE OF CONTENTS

- Chapter I - Executive Summary
- Chapter II - Economic Trends and Outlook
- Chapter III - Political Environment
- Chapter IV - Marketing U.S. Products and Services
- Chapter V - Leading Sectors for U.S. Exports and Investment
- Chapter VI - Trade Regulations and Standards
- Chapter VII - Investment Climate
- Chapter VIII - Trade and Project Financing
- Chapter IX - Business Travel
- Chapter X - Appendices

CHAPTER I - EXECUTIVE SUMMARY

Gabon is a small equatorial country of just over 1.1 million people on the Atlantic coast of Africa. It became independent in 1960. Reflecting its colonial heritage, Gabon's economic, linguistic and cultural ties with France remain strong. The Head of State is President Omar Bongo (in office since 1967 and re-elected in 1998).

The government includes a National Assembly, a Senate, and a Constitutional (Supreme) Court. President Bongo's party and coalition partners hold a large parliamentary majority in the 1996-2001 National Assembly. Rounds of

municipal and legislative elections took place in 1996 and Presidential elections took place in December 1998.

Gabon continues to have one of the highest per capita income figures in sub-Saharan Africa - over USD 4,000, but its income distribution is extremely skewed and a significant portion of its citizens live below the poverty line. Public investment has not been effective and Gabon's ranking on human social indicators is well below its ranking according to per capita GDP. The economy remains heavily dependent on oil, manganese and timber extraction. Attempts to diversify the economy have met with little success, since investment is hindered by high labor costs, various non-tariff trade barriers, modest incentives in the investment code, and the lack of both skilled labor and entrepreneurial experience. Gabon's decision-makers have pursued policies promoting stability and the status quo, with less attention to the need for transparency, competition and change. Oil production peaked in 1997 and is now declining for lack of significant new discoveries.

The discovery of oil in the late 1970's led to boom-and-bust development in the 1980's, marked by the rapid growth of debt. The January 1994 devaluation of the CFA Franc had psychological effects in Gabon, but beyond the simple sticker shock of price rises, the parity change did not translate into the kind of positive competitive boost which occurred in other former French West African colonies. Gabon's major exports of oil and minerals are denominated in dollars and provide little domestic value-added, so they were largely unaffected. Gabon has little industry and agriculture is not very developed (70 percent of its food is imported). Exports did not react dramatically to the devaluation. After the CFA devaluation, imports dropped (particularly in the category of consumer goods) and merchants tended to replace French goods with others from Asia or South Africa. French products did regain some ground in the following years and France remains the largest importer into Gabon.

The U.S. is Gabon's biggest customer, buying over USD 1.3 billion in crude oil in 1998. It is the country's second biggest supplier (after France with almost 40 percent), with over 6 percent of the market - mostly selling heavy equipment for the oil services industry, to forestry and mining concerns, and for public works. Japan, Cameroon, South Africa, and the European Union are other suppliers to Gabon.

The industrial manufacturing sector is generally weak. There is one large old plywood factory and a few other small ones. Twenty sawmills produce mainly for the local market. The 750,000 ton capacity SOGARA oil refinery in Port Gentil was designed to supply the region instead of only Gabon, and so struggles at the high-cost end of its production curve. The recently privatized cement plant manufactures 130,000 tons per year. There is some manufacturing for the oil services industry, a paint factory and some manufacturing of compressed gases for welding. Sugar, flour, beer, cigarettes and bread are produced domestically.

Gabon's infrastructure, built mostly during the boom years of 1974-78 and 1982-85, is fairly sophisticated when compared to that of its neighbors, but does not extend far outside of Libreville, the capital city. The roads outside the capital are

poorly developed and inadequately maintained. Telecommunications, air transport, port, and oil refining are managed by inefficient parastatals targeted for privatization. The water/electricity, rail, cement, and sugar companies have been privatized over recent years. Telecommunications is an area with great potential for U.S. exports and investment.

After obtaining a three-year enhanced financing facility (EFF) from the IMF in 1995, and gaining a Paris Club debt rescheduling, Gabon slipped against targets agreed upon with the IMF for privatization and structural reform and the IMF facility lapsed in 1998. External debt and domestic government arrears remain a pressing problem. A new Government and new Minister of Finance in 1999 have initiated significant reforms and controls and is in the process of negotiating with the IMF for a new program.

Gabon's dependence on the export of raw materials denominated primarily in dollars leaves it subject to external factors. In 1997, the combined effect of a strong dollar, higher oil prices, and nominally increased oil production stimulated a minor economic rebound. In 1998, a significant drop in oil prices and the onset of the Asian financial crisis (Asia was purchasing over 60 percent of Gabon's timber), in conjunction with Government over-spending associated with the run-up to the Presidential election, slowed the economy into recession and caused a Government budget crisis. Although production from known reserves are expected to decline significantly, the petroleum sector will continue to dominate Gabonese exports and foreign, especially U.S., interests in the five coming years. Oil production in 2000 was about 14 million tons or 300,000 barrels per day, but it is expected to halve by 2005. Oil exploration still offers prospects for American and other oil companies.

Note: Please check our Embassy web-site at usembassy.state.gov/libreville. Country commercial guides are available on the National Trade Data Bank on CD-ROM or through the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. To locate country commercial guides via the Internet, please use the following World Wide Web address: www.stat-usa.gov. The U.S. Embassy Libreville web site is located at usembassy.state.gov/libreville. CCGs can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.

CHAPTER II - ECONOMIC TRENDS AND OUTLOOK

Major Trends and Outlook

Gabon's economy is characterized by the distortions typical of many resource rich countries, in which excessive demand for non-tradable goods raises factor costs, making diversification into non-resource intensive tradable products difficult (Dutch Disease). As a result, the foundation for diversified growth in Gabon has been lacking to date. The economy is dominated by the oil sector, which accounts for more than half of government revenue, almost 40 percent of GDP, 50 to 60 percent of gross investment, and over three-quarters of merchandise exports. In the past, the country relied on oil revenues to finance public

investment projects with poor rates of return, and which exceeded the economy's absorptive capacity. This undermined Gabon's competitiveness and exacerbated its dependence on oil. The modern sector is still dominated by inefficient parastatal enterprises, which tend to crowd out the private sector. A strong Gabonese entrepreneurial class has yet to emerge. Business, commerce and vocational training have not been targeted as high priority educational goals. A vibrant informal sector is dominated by foreigners.

Gabon suffered a severe economic shock in 1986, when the world price of oil fell dramatically and its GDP was almost cut in half. In 1994, Gabon was subject to a second economic shock in the form of the fifty percent devaluation of the CFA franc, the first change in its parity with the French franc in nearly fifty years. The devaluation shifted the composition of imports generally away from consumer goods toward investment goods. Gabon rapidly shifted away from traditional sources in favor of lower cost goods from Spain, North and South Africa, and Asia.

1997 was a boom year for Gabon because of strong oil production, a strong dollar exchange rate (most exports are sold in U.S. dollars), and a high oil price. In 1998 a significant drop in oil prices and a severe reduction in timber sales due to the Asian financial crisis, forcing the Government of Gabon to reduce its budget and causing the economy to slow and contract in 1999. This emphasizes the extent to which Gabon's economy is subject to changes in commodity prices and exogenous shocks. Given decreasing oil production, the Government is seeking to plan for the "apres petrol".

French firms and subsidiaries continue to be significant commercial players in Gabon. Historical and linguistic ties are strong. There is a relatively large resident French community engaged in all sectors of business. French firms often benefit from concessional financing and mixed credits from the French government.

The development of agriculture and small and medium-sized enterprises has been hindered by a lack of international competitiveness and entrepreneurial zeal. The underdevelopment and inadequate maintenance of the transport sector is a significant bottleneck for the development of other sectors, particularly agriculture and forestry, and raise transaction costs throughout the economy. The dependence on oil is further amplified by the Government's significant indebtedness, which prevents it from stabilizing the economy through counter-cyclical budgetary policies.

B - Principal Growth Sectors

1. **Petroleum:** Oil and its related industries are the key sectors of the Gabonese economy. In 1997, petroleum activities generated 42.5 percent of gross domestic product, and oil production peaked at 18.5 million tons. Production has since declined, reaching 15.6 million tons in 1999. Much of the oil came from the onshore zones, especially the Rabi Kouna oil field in southwestern Gabon. This field was brought into production in 1989. The Rabi yield offset falling output on the Mandji, Gamba, and Lucina fields. Although extensive exploration is being

conducted no giant fields have been found to replace Rabi and it is itself now in steep decline. There were three small discoveries made by three different companies in 1997, but based on known reserves, oil production is expected to continue to decline.

2. Forestry sector: Some 85 percent of the country is covered by dense tropical forest and the Gabonese government is actively looking at wood resources of this forest to diversify its export earnings. Tropical timber was Gabon's main resource before oil began to dominate the scene; in recent years it has still accounted for some 14 percent of exports against almost 80 percent for petroleum and around 8 percent for uranium and manganese combined. There is very little domestic value added in the sector: only about 7 percent of raw logs is processed in Gabon, principally into plywood. The remainder is exported.

Gabon's forestry sector is the country's second largest industry with 14 percent of total exports and 3 per cent of GDP. Commercial wood reserves cover an area of 50 million acres and are estimated to be 400 million cubic meters (m³). Okoume represents 75 percent of wood production; Ozigo represents three percent; both are fast growing, soft specialty woods primarily used for plywood. The remaining 25 percent consist of a wide variety of exotic hard woods, which have not been extensively logged, although this category has been increasing. The Gabonese Government has a monopoly over the marketing of Okoume and Ozigo through the parastatal timber marketing company SNBG (Societe Nationale des Bois du Gabon).

1997 production was 2.77 million cubic meters, up from 2.40 million cubic meters in 1996. Because of increasing sales of timber to Asia, reaching about 62 percent of production in 1997, the Asian financial crisis caused a dramatic downturn in timber sales in 1998. SNBG increased inventories, reduced purchases, and slowed payments to timber companies. 1998 production dipped to 2.16 million cubic meters, but production and sales increased in 1999 and the timber sector and its associated employment (second after the Government) have revived.

In 1996 the Government created a calendar for increasing the timber processing in Gabon, but this has not been adhered to. The Government has drafted, but not yet adopted a new forestry code, which will mandate Gabonese companies investing in more processing capacity in country. In addition, the new code provides for increased adherence to sustainable management practices.

3. Telecommunication sector: The Office des Postes et Telecommunications du Gabon (OPT), a parastatal, has a monopoly on the telecommunications network and most telecom services in Gabon. This parastatal is one of a number of parastatal enterprises targeted for privatization, which may offer opportunities for U.S. firms. Gabonese telecommunications function relatively well, but are subject to saturation. In a first step towards privatization and liberalization, two licenses for competing cell phone operation have been awarded (Celtel and Telecel), but not yet interconnected and put into operation.

Over time, U.S. companies have had significant involvement in the sector. A U.S. manufacturer successfully installed 13 earth stations for the domestic network called DOMSAT (domestic satellite network). The cellular communications system, furnished by another American manufacturer, is in operation in 13 Gabonese towns. Another U.S. Corporation installed a VSAT (very small aperture terminal) network using small antenna for rural telephone and data communication. The upgrading and expansion of the public switch telephone network (PSTN) has been realized. Connections between sub-switches to reduce demands on the central switch will continue to necessitate extensive new cable and amplification installations. Expansion will include suburbs north of Libreville, which are the site of new housing construction, as well as a few other cities.

A fiber optic system was installed between CENACOM in the center of Libreville and Gros Bouquet in the north of the city to ease electronic data transfer and to replace the microwave link system. Other priorities include digitizing the DOMSAT, expanding the VSAT network, and expanding microwave links. OPT indicates that best prospects include digital equipment for the public exchange and fiber optics for transmission equipment to be used with ground-based microwave linked to digital equipment (the French firms Alcatel and Jeumont Schneider have had a strong influence in that market). A study to upgrade the telecommunication cellular system was financed by the U.S. Trade Development Agency.

4. Mining sector: Mining potential in Gabon remains significant; however, in 1998, the mining sector accounted for only 8 percent of total exports (2 percent of GDP) and only one major mine is currently in operation. Most of the mining industry has been centered in the southern Haut Ogooue area: COMILOG's manganese operations in Moanda and COMUF's uranium mine in Mounana. COMILOG's major shareholder is the French group Eramet and the Government of Gabon holds a minority interest. Estimated manganese reserves in the Mounana operation represent 200 million tons or about 25 percent of the world reserves of high concentrate manganese ore, making Gabon the world's fourth largest producer. The mine is an open pit operation. The high concentrate ore is enriched on site by mechanical operation, yielding the main product which contains 51 percent of manganese. COMILOG's output potential is 2.5 million metric tons per year of finished product, but the company shipped only 2.1 million metric tons in 1998 because of low demand in the world steel industry. The manganese ore is shipped to Libreville (approx. 650 kms) via the Trans-Gabonese railroad. COMILOG was leading one of two consortiums bidding for the privatized management concession for operation of OCTRA, the railroad company, but decided to not submit a final bid. To date it has still not elected to participate in the newly privatized Transgabonais rail company. COMILOG has started construction of a ferro-manganese plant next to its mining operation, using iron ore from a deposit located some 60 kms away.

Gabon was a significant producer of uranium, but now faces the end of its exploitable reserves. COMUF (majority holding by the French group COGEMA) ceased its activities in 1999. The Gabonese Government and international donors

are working to develop different activities and employment to absorb some of the labor force (1000 employees in 1992).

Gabon has considerable potential for other mining projects. A mineral inventory of the zone served by the Trans-Gabonese railway led to the discovery in 1986, of the Mabounie alkaline complex, 40 kms east of Lambarene with major potential for niobium and phosphates production. Following feasibility studies, the parastatal Societe des Mines du Moyen Ogooue (SOMIMO) is looking for financing and/or partners. The deposit is located within 10 kms of the navigable Ogooue river.

The iron ore mine of Belinga has reserves estimated at 850 million tons of high grade iron ore located south of the Haut Ivindo region on the border between Gabon and Congo. The main obstacle to operating a mine at Belinga is the requirement to build 200 kms of rail spur to link to the Trans-Gabonese railroad.

Gold production has so far been small-scale, but prospects are promising. Gold resources are found in four main deposits: Dangui is reported to contain 14 tons of recoverable gold in four mineralized structures, Ovala contains an estimated 2 tons of gold, and two other small deposits are estimated at 700 kgs of gold each. Artisan gold-panning is practiced in a few locations in Gabon.

Artisan miners near Makongonio in southern Gabon use traditional methods to collect limited quantities of gem-quality diamonds. Debeers and the Canadian company, Southern Era, are prospecting for diamonds over much of Gabon.

Barites reserves of around 1.2 million tons have been found near Mayumba. Annual demand for barites for drilling mud in the area south of the Gulf of Guinea is about 50,000 tons.

A talc deposit of around 2 million tons is located in the Nyanga area.

The Government recently passed a new mining code, which would regularize and favor mining investment. Disagreement within the government on certain incentives for investors had delayed promulgation of the new code.

C - Government Role in The Economy

The Gabonese government recognizes the need to attract foreign skills and technology to assist in the economic development of the country. Foreign investment is openly solicited, but practical obstacles exist: codes governing investment, mining and labor are not always favorable; factor costs are high; and there is a lack of skilled managers in certain sectors. Because of the country's small population (approximately 1.1 million), demand is very limited.

The Government has regularly published a 5-year development plan summarizing investments made and investments desired for all sectors of the national economy.

Pricing and salary decisions have taken into account the constraints of Gabon's structural adjustment program in accordance with conditions set forth by international financial institutions. The Government has generally limited salary increases in the public sector, which has been followed in the smaller private sector. An unpopular attempt to enact an across-the-board cut in the hefty government wage bill at the end of 1999 had to be abandoned. An 18 percent value added tax, replacing 3 other taxes on business turnover, was introduced in April 1995.

Economic realities brought into focus after the devaluation prompted the Government to develop a new strategy redefining the economic roles of the state and of the private sector in the economy. The strategy includes:

- A disengagement of the state from direct intervention in productive sectors;
- Greater state commitment to the provision of public goods, including protecting the environment and biodiversity, and in providing adequate and efficient services in health and education;
- Measures to promote competition and efficient private sector markets;
- Improved public resource management;
- Stabilization of the stock of international debt and gradual reduction of internal short term debt of the Government; and
- Reforms in law and regulations to promote business investment.

While all these goals are worthy, the Government has achieved only mixed results.

D - Balance of Payments Situation

Customs figures show that despite its high per-capita appetite for imports, Gabon, because of its petroleum exports, has a favorable balance of merchandise trade. In 1999 the country imported an estimated USD 1.3 billion in goods and exported an estimated USD 2.5 billion, resulting in a visible trade surplus of USD 1.2 billion. However, the current account balance was estimated at negative USD 260 million because of service outflows. The Government stopped making debt payments and allowed domestic and external arrears to develop.

Gabon's performance with the relatively easy targets set by the 1994 IMF stand-by following the currency devaluation was broadly satisfactory. On November 8, 1995, the board approved a three-year enhanced financing facility (EFF) providing loans of USD 165 million at near-commercial rates. On December 12, the Paris Club rescheduled USD 1.8 billion in debt service due over the following 3 years to 15 years with two years of grace. More recently, Gabon slipped against economic adjustment performance criteria, principally in respect to privatization targets and over-spending. The EFF lapsed in the beginning of 1999 with Gabon unable to negotiate an extension agreement with the IMF. External

debt as of 1999 was approximately USD 4.1 billion and the debt service ratio (debt service as a percentage of earnings from exports) was just over twenty percent. The Government of Gabon is now negotiating with the IMF and hopes to enter a stand-by program by the end of 2000 to allow another Paris Club rescheduling.

estimates of	1998 million u.s. dols	1999
Exports (FOB)	2,042	2,534
Imports (FOB)	1,237	1,282
Trade Balance	805	1,252

1998 1 USD= 590 CFA F
1999 1 USD= 620 CFA F

E - Infrastructure

The 433-mile Trans-Gabonese railway linking Libreville with Franceville in the far southeast was completed in 1986. The single-track line is used to transport manganese, uranium, timber, consumer goods and passengers. The minerals port of Owendo, a suburb of Libreville, opened in 1988. The capacity of the mineral port is around 2.0 million tons of manganese per year.

Gabon has only 650 miles of paved roads in its 4,300-mile road network, but the principal inter-city routes are being upgraded and extended with financing from the African Development Bank and the European Investment Bank. Highway construction projects are coordinated and controlled by the Ministry of Equipment and Construction, B.P. 49; Libreville, Gabon (telephone: (241) 763856 - fax: (241) 748092).

Gabon’s two modern ports, Owendo and Port-Gentil, handled 20.7 million tons of cargo in 1998, with Port-Gentil having 85 percent of the traffic by volume. Owendo’s approach is shallow and requires dredging, while the Cape Lopez terminal near Port-Gentil is a deep water port.

Gabon’s telecommunications system is fairly advanced and adequate, with direct dial services from Libreville to almost anywhere. Gabon has more than 30 public airfields, an estimated 100 private landing strips, and one of the largest civil aviation fleets in Africa. There are almost daily air connections to Europe and elsewhere in Africa.

CHAPTER III - POLITICAL ENVIRONMENT

A - Nature of Political Relationship with the U.S.

The U.S. and Gabon enjoy a good bilateral relationship. Since independence, Gabon has had a generally pro-western orientation in its foreign policy. President Bongo has often played a role in mediating regional conflicts. The U.S. has encouraged the process of democratization in Gabon and has urged the Government to respect human rights. Political issues have generally not affected the business climate either for U.S. investors or for American companies wishing to sell in Gabon.

B - Major Political Issues Affecting Business Climate

In December 1993, President Bongo was re-elected to a five year term in a poorly organized and vigorously disputed multi-party election. Sporadic and violent demonstrations marked much of early 1994. Lengthy consultations between the President's supporters and opposition parties eventually resulted in the signature in October 1994 of an agreement known as the Paris Accords, outlining institutional reforms to promote electoral transparency. The Government formed at that time included six ministers drawn from opposition parties. A national referendum in July 1995, endorsed the Paris Accords, providing a constitutional basis for reforms subsequently enacted by the National Assembly. Municipal, local and legislative elections were delayed until 1996-1997.

In 1997 constitutional amendments were adopted to create an appointed Senate, the position of Vice President, and to extend the President's term to seven years. Facing a divided opposition, President Bongo was reelected in December 1998 with 66% of the votes cast. Although the main opposition parties claimed the elections had been manipulated, there was none of the civil disturbance that followed the 1993 election. The president retains strong powers, such as authority to dissolve the national assembly, declare a state of siege, delay legislation, conduct referenda, and appoint and dismiss the Prime Minister and cabinet members. For administrative purposes, Gabon is divided into 9 provinces, which are further divided into 36 prefectures and 8 separate subprefectures. The president appoints the provincial governors, the prefects, and the subprefects.

Principal Government Officials:

President of the Republic, Founder - Gabonese Democratic Party: El Hadj Omar Bongo
 Vice President: Didjob Divungi Di Ndinge
 Prime Minister, Head of Government: Jean Francois Ntoutoume-Emane
 Minister of Foreign Affairs and Cooperation: Jean Ping
 Ambassador to the United States: Paul Boundoukou-Latha
 Ambassador to the United Nations—Denis Dangué-Rewaka
 Gabon maintains an embassy in the United States at 2034 20th Street NW, Washington, DC 20009 (tel. 202-797-1000).

Gabon's major political parties favor a mixed economy with a relatively large state role. They welcome foreign investment, particularly in the minerals and agro-industrial sectors. The structural adjustment program agreed upon with international financial institutions includes a calendar of actions to reform and privatize the inefficient parastatal sector. The water and electricity company (SEEG) (in 1997), the Trans-Gabonese railway (OCTRA) and the sugar company

(SUCAF) (in 1999), and the cement factory (Ciments du Gabon) (this year) have been privatized to date. Other Parastatals targeted include the national airline (Air Gabon), the largest plywood factory (CFG), the rubber and palm oil companies (HEVEGAB and AGROGABON), parts of the national post and telecommunications authority (OPT), and the port facility (OPRAG).

CHAPTER IV - MARKETING U.S. PRODUCTS AND SERVICES

A - Distribution and Sales Channels

Most U.S. products sold in Gabon are marketed through Gabonese agents. Examples include Tractafric (selling Caterpillar heavy equipment), LIFTEL (one of several firms selling Motorola products) and SOGAFRIC (selling General Electric products). Other U.S. products are sold by small local firms, often with a single outlet in Libreville.

B - Use Of Agents/Distributors; Finding A Partner

To find a local agent for your company in Gabon, contact a U.S. Department of Commerce district office and request an ADS (agents/distributors service). If Commerce records do not already contain suitable prospects, the office will ask the U.S. Embassy in Libreville for information.

C. Franchising; Joint Ventures/Licensing

Joint ventures and licensing are limited. U.S. and European soft drinks and beers are made in Gabon under license.

D - Direct Marketing

Experience has shown that the U.S. firms best able to enter the market are those that send tenacious French-speaking representatives on repeated visits. Personal contacts and knowledge of the territory are important.

E - Steps Needed to Establish a Business Office: (A new investment charter is in the process of being implemented which may modify and/or simplify procedures. One element is a "guichet unique" to expedite permits, but the office has not yet been established)

- A permit from the Ministry of Commerce
- Establishment of a listing in the trade registry at the Ministry
- A fiscal statistical number from the Office of Direct Taxation of the Ministry of Finance
- A commercial license from the municipality

To open a branch of a U.S. company, the following steps should be followed:

- Filling out an application for authorization with the Ministry of Commerce, enclosing the by-laws of the Gabonese company;
- Declaration of the company to the Tax Office of the Ministry of Finance
- Registration with the Social Security Office (Caisse Nationale de Securite Sociale, CNSS)
- Filling out the documents listed above with the clerk of the Commercial Court, along with: 1) copies of the by-laws of the parent company and of the minutes of the meeting of the board of directors in which the opening of the Gabonese branch is approved; 2) a certificate of appointment of the general manager in Gabon; 3) a copy of any agreement signed with a Gabonese company or with the Gabonese government; 4) two copies of the application to the Court for authorization to operate; and 5) two photographs and a copy of the passport of the General Manager.

The process can take up to three months. U.S. firms wishing to open a branch in Gabon may consider contacting either of the two U.S.-affiliated management and accounting consultants listed below:

Price Waterhouse, B.P. 2164, Libreville, telephone: (241) 762371, fax: (241) 744325

Ernst & Young, B.P. 2278, Libreville, telephone: (241) 742168, fax: (241) 746130

F - Advertising And Trade Promotion

Companies can advertise through the daily newspaper "l'Union", on the radio or through TV channels one, two, three and four. "l'Hebdomadaire" is a weekly journal for legal notices. The principal agent is Publicom, B.P. 3875, Libreville - fax: (241) 738326.

G - Pricing the Product

A market survey and market research are suggested.

H - Sales Service/Customer Support

The foreign firms which are most successful in Gabon are those which employ French-speaking representatives or agents and keep an inventory of spare parts. Good follow-up service and adequate inventories confer a significant competitive advantage.

I - Selling to the Government

U.S. firms selling to the Government should ensure that funds have been set aside in the Gabonese budget for the equipment they wish to sell. Credits from the U.S.

Exim Bank may not be available, due to the Government's previous poor payment record.

J - Protecting Products From IPR Infringement

Patents and copyrights are handled by the Ministry of Commerce. Gabon is a member of the African Intellectual Property Office (OAPI) based in Yaounde, Cameroon. Gabon adheres to most principles of intellectual property rights protection, but enforcement is weak - in part because little manufacturing exists.

K - Need for a Local Attorney

Retaining a local attorney is recommended, but not absolutely necessary if by-laws are observed or if a qualified management consultant is used. A list of English-speaking attorneys is available from the Consular Section of the United States Embassy.

CHAPTER V - LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

Leading trade prospects for U.S. Business:

A - Best Prospects for Non-Agricultural Goods and Services

Medium and long-term prospects in Gabon are best in the petroleum, mining and forestry sectors.

A) Rank of sector: 1

B) Name of sector: PETROLEUM

C) ITA industry sector code: OGM/OGS

D) 1998 estimated market size: investments \$130 million

E) There is virtually no local production of equipment for the crude oil sector.

F) Total exports of crude oil products in 1998 were US \$1.5 billion.

G) 1998 total imports of equipment for the oil sector were US \$200 million.

H) Estimated imports from the U.S. in 1998: not available.

I) USD 1 equaled CFA francs 615 average rate in 1999.

Although production is declining, the petroleum sector will continue to dominate Gabonese exports in the next years. The Gabonese economy is very sensitive to price fluctuations in the world oil market and to the gradual depletion of proven oil resources. The Government would like to attract more U.S. firms to the Gabonese oil sector, particularly in exploration. The total value of 1998 crude oil exports was US \$1.5 billion. Note that the industry faced weak oil prices in 1998, so that exports and investment in the industry had higher values in 1997.

U.S. companies are facing competition from European firms. Secondary petroleum activity for specialized work, especially for U.S. seismic and oil service firms, seems promising.

- A) rank of sector: 2
- B) name of sector: MINING
- C) ITA industry sector code: MIN
- D) 1998 investment: approx. US \$8 million.
- E) There is no local production of heavy equipment for the mining sector.
- F) Estimated total exports of manganese and uranium in 1998 were US \$ 165 million.
- G) Estimated total imports of equipment in 1998 were US \$50 million.
- H) Estimated imports from the U.S.: not available.
- I) USD 1 equaled CFA francs 615 average rate in 1999.

The two major mining operations have large inventories of U.S. equipment such as cranes, drag lines, trucks and tractors. Products coming from Japan and from Europe have begun to appear on the market, especially in the transportation field. Local suppliers of U.S. firms have done well during past years, relying on quality and price competitiveness of U.S. products. Gabon's imports for the mining sector include parts for the manganese operation, for the railroad and for the mineral port as well as spare parts and equipment for the uranium mine and treatment plant. Gabonese mining sector resources are exploited by two companies: COMILOG for manganese and COMUF for uranium. The uranium operation has closed down for lack of additional reserves. A new Gabonese company called SOMIMO is seeking to exploit phosphate deposits in Mambounie in central Gabon. A few companies are engaged in prospecting for gold and diamonds.

- A) Rank of sector: 3
- B) Name of sector: FORESTRY
- C) ITA industry sector code: not available
- D) 1998 estimated investment: no data available
- E) There is no local production of equipment for the forestry sector.
- F) Estimated total exports of timber in 1998 were 1.8 million cubic meters for a value of \$282 million, compared to 2.2 million cubic meters production.
- G) Estimated total imports of equipment in 1998: USD 50 million.
- H) Estimated imports from the U.S.: USD 25 million.
- I) USD 1 equaled CFA francs 615 in 1999.

Gabon is covered by tropical hardwood forests containing an exploitable reserve of 400 million cubic meters of wood. Okoume, a light hardwood used to make plywood, is the most commercially important variety but some two dozen species are marketed. 93 percent of timber exports by value consist of crude logs, with most of the rest as plywood. Production quotas are allocated and marketing is controlled by the parastatal National Timber Corporation (SNBG), a monopoly. Timber products have typically been Gabon's second largest export. In 1998 total wood exports were US \$282 million. Because of the Asian financial crisis, timber exports, which had more and more been targeted on Asia, decreased substantially from 1997.

B - Best Prospects for Agricultural Products

Gabon is a net food importer (from France, South Africa, and Cameroon) with untapped potential to grow its own food. Fishing also offers great potential as Gabon has 800 km of Atlantic coastline and numerous lakes and rivers. The Government is seeking to promote both of these activities.

C - Best prospects/ investment opportunities

A number of parastatals have been identified for privatization over the next few years. Some that may interest U.S. investors are the Office of Postes and Telecommunications (OPT), Air Gabon, and the port facilities (OPRAG). Telecommunications is an area of particular interest. U.S. companies have already been active as suppliers of some products and services. There have been significant road and public works projects, but most of this construction business has gone to French companies which already have a presence and experience in Gabon and Africa. The Government of Gabon has sought to increase investment for public housing and has sought to create incentives or opportunities for concessionary financing.

*** Note: The Government of the United States acknowledges the contribution that outward direct investment makes to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, roughly 60 percent of U.S. exports are sold by American firms that have operations abroad. Recognizing the benefit that U.S. outward investment brings to the U.S. economy, the Government of the United States undertakes initiatives such as Overseas Private Investment Corporation (OPIC) programs, investment treaty negotiations, and business facilitation programs that support U.S. investors. *** End note.

CHAPTER VI - TRADE REGULATIONS AND STANDARDS

A - Trade Barriers, including Tariffs, Non-Tariff Barriers and Import Taxes

All categories of products may be imported into Gabon except for sugar, for which a medium-term non-tariff restriction is retained in order to grant the Gabonese sugar monopoly time to improve its competitiveness. The sugar barrier is supposed to be reduced over time to open up the market, in conformance with the Central Africa Customs Union (UDEAC/CEMAC), but in effect barriers to entry still exist. The parastatal sugar company, SOSUHO, was privatized by the Castel Group in 1999; the company was rechristened SUCAF.

There are few barriers in the crude oil sector, where the majority of U.S. firms present in Gabon are involved. There have been problems relating to customs duties imposed on the import of exploration equipment, in contravention of exploration agreements, which usually provide for duty exemptions for equipment which will be re-exported for use elsewhere. Companies faced the imposition of an export tax earlier this year, which has since been rescinded.

Customs duties and taxes are applied to virtually all goods imported into Gabon. The Customs Service applies four categories of taxation:

Category 1: Basic products - This list includes medicines, vaccines, and other medical supplies, as well as rice and wheat. The customs tax level for category 1 is 7.20 percent of the CIF (cost insurance and freight) price.

Category 2: Raw materials - This category covers raw materials used in the industrial sector. The customs tax level used is 29.8 percent of CIF price.

Category 3: Intermediate products - This category includes most food products. The customs tax level on category 3 is 53.40 percent of CIF price

Category 4: Usual consumer goods such as alcoholic drinks, perfumes, etc. The customs tax level on category 4 is 99.42 percent of CIF price.

There is currently no tax applied on exports out of Gabon, but the Government briefly imposed one earlier this year. Because of strong negative response from oil, timber, and mineral exporters, the Government stopped imposing the tax.

An 18 percent value added tax (VAT) was instituted in April 1994 payable by all companies with a turnover exceeding approximately USD 330,000. The following products are exempt from the VAT: newspapers, eggs, milk, fresh fish, cooking oil, sugar, rice and bread.

B - Customs Valuation

Valuation is determined by CIF value stipulated on the bill of lading.

C - Import and Export Licenses and Documentation

Gabon does not require an import license. A bill of lading and an invoice must accompany all goods entering Gabon.

D - Temporary Entry

Some goods enter Gabon duty free on a temporary basis. Examples include certain equipment used in the crude oil sector such as seismic boats and drilling equipment.

E - Labeling and Marking Requirements

Though not required by law, goods entering Gabon should be labeled in French if possible. Processed food goods and similar perishables should bear an expiration date.

F - Prohibited Imports

Sugar is imported only by SUCAF, which has retained privileges of the privatized parastatal SOSUHO. The Ministry of the Interior regulates the private import of all firearms and munitions.

G - Standards

Gabon generally follows French standards.

H - Free Trade Zones

There are no free trade zones in Gabon. The concept of an industrial servicing center under free trade rules is under consideration for the city of Port-Gentil. Related legislation has been introduced in the National Assembly, but it has not yet been passed. A group led by South African investors (WADCO) has proposed a free-trade/servicing zone on the island of Principe in the nation of Sao Tome & Principe.

I - Special Import Provisions

None.

J - Membership in Free Trade Arrangements

Gabon is a member of the Central African Customs Union (UDEAC), changed to Economic and Monetary Union (CEMAC) in 1998. The few imports under this arrangement offer little competition to U.S. and other non-African suppliers. Although the union has a separate common currency and central bank arrangement, integration with respect to trade and labor has been slow and uneven in implementation.

CHAPTER VII GABON INVESTMENT CLIMATE

Revised July 2000

This small equatorial country with a population of just over 1.1 million is located on Central Africa's Atlantic coast. Gabon became independent in 1960 and, reflecting its colonial heritage, economic, linguistic and cultural ties with France remain strong. President Omar Bongo, in office since 1967, was re-elected in December 1998 with 66 % of the vote. The government is headed by a Prime Minister and also includes a National Assembly elected every five years and a constitutional (supreme) court. President Bongo's party and coalition partners hold a large parliamentary majority and have held almost all ministerial appointments in recent governments. The nation has been blessed with stability over its history.

Gabon has one of Africa's highest per capita income figures-- over \$4,000--but the income distribution is extremely skewed. Its economy is heavily dependent on oil, which accounts for about 40 per cent of GDP and 80 per cent of exports. The balance of Gabon's economic activities is also primarily devoted to extraction of primary materials. Timber and manganese are the second and third ranked export categories. Following the January 1994 devaluation of the CFA Franc, used by Gabon and 12 other primarily French-speaking African countries, Gabon qualified for a three-year Extended Financing Facility (EFF) with the IMF and reschedulings at the Paris and London Clubs. Key requirements of the IMF/World Bank economic adjustment program were the privatization of

commercially viable parastatal firms, administrative reform and audits of government revenue and arrears. The public utilities firm, SEEG, was privatized by long-term concession in 1997, but Gabon has been slipping against other targets, and the IMF program lapsed in 1999. Government overspending in 1998 in the face of falling oil revenues and weak timber prices caused a government budget crisis and economic recession in 1999.

Oil production from known reserves peaked at about 370,000 barrels per day in 1997 (annual value of \$2.5 billion in 1997). In 1998 Gabon suffered a dramatic fall-off in oil and timber prices, while oil production began declining. Oil production in 2000 will be about 300,000 barrels or 14 million tons, but it is expected to halve by 2005. Timber exports in 1998 were 1.8 million cubic meters (worth \$282 million), but they grew to about 2.4 million cubic meters in 1999. Manganese exports were just over 2 million metric tons in 1998 and 1999 (worth \$139 million). Gabon remains highly dependent on imports and France remains the leading supplier with 39 per cent of total imports. The United States accounted for only 6 per cent of Gabon's imports, but in 1998 was the main destination for Gabon's exports (about 68 % of the total), because of oil purchases.

The United States sells oil field and other heavy equipment to Gabon and is becoming more active in provision of telecommunications and information technology products. Targeted privatization of the telecommunications and other parastatal companies may provide other opportunities. Two new cell phone licenses have been awarded, but interconnectivity with the existing network has still not yet been established to date. Internet access has in principle been opened, but in practice the state telecom company (OPT) still controls access.

Gabon seeks to encourage and increase its openness to foreign investment, but lack of transparency and bureaucracy pose practical obstacles. Gabon's investment code, adopted in July 1989, contains incentives similar to those found in other Francophone African countries. There are no restrictions on introducing foreign capital into Gabon, and funds may be transferred freely for commercial transactions within the zone and abroad through regular banking channels overseen by the regional Central Bank. Gabon completed a revision and simplification of its investment charter in late 1998, but it has still not been fully implemented. Revision of the mining, forestry, and labor codes have been written, but not fully adopted by the national assembly. Gabon and its Central African neighbors are seeking increased trade and integration; Gabon has significant potential as a regional hub for services, distribution and marketing.

French firms and subsidiaries are significant commercial players in Gabon, and there is a relatively large resident French community engaged in all sectors of business. French firms may benefit from concessional financing and mixed credits from the French Government. Opportunities in the petroleum sector still remain the most attractive for U.S. companies, particularly in exploration, oil field services and drilling. The government wishes to encourage investment in fisheries, port development and transport, timber processing and light industry.

Business Language: French

A.1. Openness to Foreign Investment

The Gabonese Investment Code follows the general model used in French-speaking Africa, but provides more liberal terms than other Francophone African countries. However, Gabon does not formally recognize the principle of equal national treatment because it reserves the right to favor Gabonese firms. There are, for example, preferences in place in favor of Gabonese-owned small and medium-sized businesses. A new investment code, drafted but not yet fully enacted, further liberalizes and streamlines investment procedures. Under this code, foreign companies with head offices in Gabon would enjoy the same rights as a Gabonese company. The new code calls for establishment of a "guichet unique" to facilitate gaining permits for business, but it has yet to be established.

Gabonese law allows foreign firms (and local firms) to operate as branches, "Societes a Responsabilite Limitee" (SARL) or "Societes Anonymes" (SA). Foreign investors may wholly own either kind of entity. The distinctions arise primarily from the minimum capital requirements and the conditions under which shares may be resold. There are no other particular requirements for foreign participation in the capital of local corporate entities.

The government complied with key IMF conditions of the time by obtaining passage on January 10, 1996 of a new law on privatization and published a calendar of actions for privatizing the Transgabonese Railway (OCTRA), the electricity and water monopoly (SEEG), and the international telecommunications office (OPT), among other parastatals. The World Bank has advised Gabon in the hiring of international consultants for the analysis of needs and management of tenders. Foreign investors were officially invited to participate in this program without any discrimination. In 1997 the water and electricity company (SEEG) was privatized. The technical dependence of the Gabonese electricity company on EDF (Electricite de France) limited the likelihood of non French firms bidding. The long-term management concession was awarded to a French firm called VIVENDI (formerly known as Compagnie Generale des Eaux). The rail company (OCTRA) was privatized in late 1999 by Transgabonais, a group of timber companies, Transurb (a Belgian rail company), and a few others. The competing group, led by COMILOG, did not submit a final bid.

A.2. Conversion and Transfer Policies

There are no restrictions on the introduction of foreign capital into Gabon, and funds may be freely transferred within the franc zone. Once proof is furnished to the Ministry of Finance that funds to be repatriated come from either wages, salaries or profits and that all local taxes have been paid, funds may be transferred outside the franc zone and there is no difficulty in obtaining foreign exchange. Gabon has been a member of the French Franc Zone since before independence in 1960 and is a member of the Bank of the Central African states ("Banque des Etats de l'Afrique Centrale") or BEAC. The BEAC acts as the Central Bank for Gabon, Cameroon, Central African Republic, Congo, Chad and Equatorial Guinea.

Although the BEAC's rules of intervention are common to all six countries, each country's account is maintained separately and each country's international reserves are pooled in an account held at the French treasury. The convertibility of the CFA franc is guaranteed by France through an operation account which links the BEAC and the French treasury. The French Treasury provides an exchange rate guarantee expressed in terms of special drawing rights corresponding to reserves held in French francs for each country. The interest rate structure is common to all member countries of the zone. The BEAC also controls the liquidity within the zone and within each country by granting rediscounting facilities and money market advances.

Management of most of the direct or guaranteed public debt is the responsibility of the public accounts department (former Caisse Autonome d'Amortissement), an organization controlled by the Ministry of Finance. Since 1987, Gabon has been compelled in a number of occasions to reschedule its debt either by the Paris Club or the London Club.

A.3. Expropriation and Compensation

Large foreign firms established in Gabon operate on an equal basis with national firms. There have been no known cases of discrimination or expropriation against foreign firms.

A.4. Dispute Settlement

In the absence of actual cases of expropriation or nationalization, the Government of Gabon has not established a track record for its handling of investment disputes. In some cases the government has mediated settlements of commercial or labor issues on terms more favorable to the U.S. firm than those obtainable through the Gabonese courts. While there have been instances of disputes with U.S. oil firms, most disputes are resolved before going to outside arbitration. Gabon is generally recognized as a stable and good country for doing oil and other business.

The parastatal railway OCTRA and the Government have been engaged since 1995 in a trade dispute with a U.S. firm concerning the cancellation of a contract for the export of scrap metal. Gabon is neither a member of the international center for the settlement of investment disputes nor of the New York convention of 1958. Gabon became a member of the multilateral investment guarantee agency (MIGA) in 1994.

A.5. Performance Requirements/Incentives

According to Gabonese laws, all investors are subject to the same rights and the state guarantees freedom of capital transfers to companies owned by non-residents and branches of foreign companies. Foreign investors are allowed to purchase real estate, to negotiate licenses and to enter into commercial agreements in the same way as their Gabonese counterparts. French firms benefit from special agreements between France (Agence Francaise de Developpement)

and the Gabonese government. French citizens are granted free residence visas but a work permit is required for any other foreigner working in Gabon.

There are no performance requirements imposed as a condition for establishing, maintaining or expanding investment. There are no requirements for investors to buy local products, to export a certain percentage of output, or to invest in a specific geographical area. There is no requirement that nationals own shares in foreign investments into Gabon, except for the small and medium sized firms (PME) in which Gabonese participation must be at least 51 percent.

The key performance requirement in effect is a particular sensitivity towards employment of Gabonese nationals. The objective of the Gabonese authorities is to guarantee as much as possible the "nationalization" of employment. Hiring of foreigners is thus subject to prior authorization from the ministry of labor. Gabonese workers are often under qualified and companies are obliged to request a special authorization from the labor ministry if they need to employ foreigners. Nonetheless, pressure remains on foreign investors to hire and train Gabonese. While non-African expatriates still have little difficulty obtaining working papers, issuance of new papers to non-Gabonese Africans has become more difficult.

The Gabonese Commission on Investments has gained adoption of a new Gabonese Investment Code. The commission has established investment regulations for specific activities, instead of providing for a general system of investment incentives applicable to all activities. A new mining code, aiming to provide incentives to outside investments, has been adopted. While a new Forestry Code, embodying sustained management principles, has been drafted, it has not yet been adopted. The new investment code conforms to the UDEAC/CEMAC (Central African Customs and Economic Union) investment regulations. The 1994- 1995 finance laws have canceled the main customs and tax advantages embodied in the former Investment Code. Under existing law, all foreign financial transactions are subject to declaration and/or authorization. Nevertheless, there is an exception for financial transactions involving entities resident in France, UDEAC member states and the French franc zone.

There is a common tariff for customs duties on imports and exports with countries outside the UDEAC/CEMAC custom union. Imports and exports within the union are in principle free of any taxes and duties. All direct investments from entities and persons residing abroad, as well as those from Gabonese companies under foreign control must be declared to the ministry of finance. There is a preferential treatment for subcontractors of oil companies as well as a specific treatment for operation and investment of oil companies (production sharing contract).

A.6. Right to Private Ownership and Establishment

Foreign investors are largely unfettered in their ability to establish and own domestic private entities. Indeed, the government has become increasingly aware of the need for foreign investment to develop the local economy in the absence of large net flows of foreign development assistance, to which Gabon has restricted

access because of its high per capita GDP. At present, even Gabon's most sensitive sectors - petroleum, manganese, uranium, and forestry - are controlled by foreign interests.

Since 1972, any legal entity or person wishing to do business in Gabon must request prior permission from the Ministry of Commerce. All commercial companies are subject to this formality.

A.7. Protection of Property Rights

Gabon is a member of the Central African Customs and Economic Union (UDEAC) and of the Central Africa Economic and Monetary Community (CEMAC). As a UDEAC member state, it adheres to and participates in the African intellectual property office (OAPI), which is based in Yaounde. OAPI has been in operation since 1982; it is charged with issuing a single copyright system which is enforceable in all the UDEAC member states.

A.8. Transparency of the Regulatory System

The local regulatory system is far from perfect, but it does not tend to discriminate against foreign or American commercial interests. The Gabonese economy is dominated by foreign interests in general.

There are no restrictions on foreign investment but the Gabonese State reserves the right to invest in the equity capital of ventures established in strategic sectors such as the oil and mining industries. In practice, the Government is actively seeking to disengage itself from businesses, but it maintains minority interests in some companies. According to the new finance law of 1994, a VAT of 18 percent is effective since April 1, 1995. The 1995 finance law introduced tax incentives to draw foreign investment.

As a member of UDEAC/CEMAC, Gabon is part of a free trade zone (Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea), wherein all imports are subject to very low or no customs duties. Gabon levies higher import taxes on all goods originated from countries that are not UDEAC members.

A.9. Efficient Capital Markets and Portfolio Investment

Gabon has a well-developed banking system, which includes one development bank and ten commercial banks. The Gabonese Development Bank (BGD) lends to small and medium size companies. Three of the ten commercial banks are affiliated with French banks (BNP, Credit Lyonnais, Paribas) and one is an American bank (Citicorp).

As a member of the CFA franc zone, Gabon is under the control of the Bank of Central African States (BEAC), a regional central bank with headquarters in Yaounde (Cameroon). BEAC is closely monitored and regulated by the French government. The bank interest rate was previously kept very low in order to help moderate the impact on costs and prices, as well as to encourage investments. However, with the higher risks of corporate insolvency in the nineties, the BEAC

tightened credit controls on commercial banks by raising the bank's interest rate. The CFA franc is fixed to the French franc. In 1994, the CFA Franc was devalued by a factor of one-half (French franc parity changed from 50 to 100). The Government of France has stated that the linkage and currency guarantee system will be maintained under the new Euro currency arrangement without any devaluation. This financial support is allowed under the E.U. agreement.

To the extent that local credit is available, it is available to both foreign and local investors on equal terms. The local banking system is relatively sophisticated and offers most corporate banking services, or can procure them in Europe. Local offices of foreign oil companies have used interest rate swaps and eurocurrency bonds to finance oilfield development investments.

There is no private sector and/or government effort to restrict foreign participation in the commercial sector. Financial transfers of less than 5 million CFA (USD 8,300) can be freely made to France or within the franc monetary zone by bank means. However, all transfers exceeding this amount require a justification. Private transfers to areas outside of the franc monetary zone are subject to authorization by the Ministry of Finance.

Loans contracted by Gabonese companies with foreign entities are subject to the prior authorization of the Ministry of Economy.

A.10. Political Violence

There have been no incidents of significant civil disturbance or political violence in the past few years. Gabon has been perceived as a stable and relatively calm country in a turbulent region. In 1991 and 1993 there were significant, but short and localized, bouts of civil disturbance and violence associated with elections. In early 1994 street demonstrations led to the imposition of a curfew during a period of several weeks. Negotiations between the majority and opposition parties in October 1994 resulted in arrangements generally satisfactory to all. Presidential elections were peacefully carried out in December 1998. Gabon is generally at peace, without any significant regional or inter-ethnic tensions. In fact, President Bongo has been active in seeking to mediate conflict in neighboring countries.

A.11. Corruption

Corruption is prevalent and is an obstacle for U.S. firms doing business in Gabon. While Gabon has laws and regulations to combat corruption and to seek greater transparency, they are not effectively enforced. Gabon and other countries doing business in Gabon do not always treat giving or accepting a bribe as a criminal act. Those looking to do business in Gabon should seek professional assistance in negotiating agreements, in the selection of partners, and in the control of resources.

Public sector finance has been poorly managed in the past, creating possibilities for officials to exploit their positions for illicit personal enrichment. There has been an incapacity or lack of will to limit unbudgeted public sector purchases,

which has resulted in a large stock of internal arrears from the government. One feature of the IMF/World Bank adjustment program under negotiation is the requirement for a scrupulous review of public management procedures.

Foreign businesses have the perception that major contracts have to be "approved at the top" if they are to succeed. A lack of competitive bidding procedures has all too often resulted in "sweetheart deals" (marchés gré à gré, in French).

B. Bilateral Investment Agreements

There is no U.S. - Gabon Bilateral Investment Agreement or Bilateral Taxation Treaty, although an investment text was discussed in the mid-1980's. France maintains a bilateral Investment and Taxation Agreement with Gabon. Gabon has investment agreements with the other UDEAC/CEMAC countries. Bilateral commercial relations with trading partners are often coordinated through bilateral "commissions" used to encourage trade and investment.

C. OPIC and other Investment Insurance Programs

OPIC coverage has not been sought for investments in Gabon; however, OPIC has expressed interest in operating in Gabon. Gabon became a member of the Multilateral Investment Guarantee Agency (MIGA) in 1994. TDA has financed some feasibility studies in Gabon and ExIm has participated in some financings. ExIm is currently open only to private credit in Gabon.

Despite its relative wealth, Gabon has received significant development assistance from the international donor community. Gabon's three year extended fund facility (EFF) with the IMF expired without renewal in early 1999. The IMF has taken the government of Gabon to task for slippage against economic adjustment performance criteria, principally in respect to privatization targets.

A second devaluation of the 14 country CFA franc (the first was in 1994) was feared with the onset of the Euro, but strong assurances have been provided by the French Government for continued support, notwithstanding the transition from the French Franc to the Euro. Much of Gabon's revenues come from dollar-denominated exports.

D. Labor

Gabon's population is approximately 1.1 million, of which perhaps up to twenty percent are Africans of other nationalities. There are shortages of highly skilled Gabonese managers and workers. Authorization from the government of Gabon is required in order to hire non-Gabonese Africans. Most informal sector activity and low-skilled labor is undertaken by non-Gabonese. Formal sector labor costs are high and are kept so by a Labor Code which strongly defends the rights of Gabonese workers. Labor unions and confederations are active.

E. Foreign Trade Zones/Free Ports

There are no foreign trade zones or free ports in Gabon. Some discussion has been devoted to establishing a free trade zone in Port Gentil for export processing and/or oil field services, but the Government has not gained passage of an associated law proposed. A consortium of various interests has expressed an interest in organizing a free trade zone and deep-water port facility on the nearby island of Principe, part of the Republic of Sao Tome and Principe.

F. Foreign Direct Investment Statistics

Current statistics are unavailable. France is the most important investor and exporter of products into Gabon.

Major Foreign Investors

--U.S. companies:

Amerada Hess of New York owns a ten percent share of the Rabi Kouna oil field, operated by Shell Gabon and also owned in part by Elf Gabon. Hess' share cost US \$300 million. Hess has purchased an office building and signed agreements for exploration campaigns on offshore oil leases, which represent potential expenditures of around U.S. \$100 million over the next five years. Other U.S. petroleum companies with interests in Gabon include Marathon, Mobil and Vanco. Amoco, Arco, and Phillips have departed Gabon.

Citibank operates branches in Libreville and in Port- Gentil

-- Non-U.S. Companies

French interests are the dominant foreign presence. Of these, the Elf group is the largest. Statistics on the stock of French investment are not generally available but certain private sector individuals estimate French private investment in Gabonese equities at more than U.S. \$600 million. French interests dominate sectors such as construction (63 percent of capital invested in the sector) and petroleum (50 percent). French interests are significant in timber (30 percent), chemicals (20 percent) and transportation (29 percent).

The most significant non-French and non-U.S. foreign presence is Shell Gabon, 75 percent owned by the Royal Dutch Shell Group.

CHAPTER VIII - TRADE AND PROJECT FINANCING

A - Brief Description of Banking System

Gabon is a member of the French franc zone, via the Central Bank of Central African States (BEAC), which has its head-quarters in Yaounde. The parity of the regional currency, the CFA franc, is tied to the French franc and backed by the Treasury of France (100 CFA equals one French Franc). The CFA franc for the 6 countries of the Central Zone circulates freely and may be freely converted to other currencies through the banking system upon presentation of commercial

documentation. Similar arrangements are in effect for the West African franc zone, which has its own Central Bank (BCEAO).

BEAC issues the currency and controls liquidity within the zone through rediscounting facilities and an administered money market. The interest rate structure is common to all member countries of the zone.

B - Foreign Exchange Control Affecting Trading

For all commercial transactions inside or outside the franc zone an import license must be presented for all imports exceeding a value of 500,000 CFA francs (about USD 833).

Funds not exceeding 5 million CFA francs (USD 8,333) can be freely transferred to France or within the franc zone. A justification must be presented for all transfers exceeding this amount. Neither of the regional central banks (BEAC and BCEAO) will honor or redeem its currency outside its own zone.

Private transfers to points outside the franc zone are subject to further documentation required by the Ministry of Finance.

C - General Financing Availability

Credit is provided through the five main commercial banks in Gabon:

- The Banque International de Commerce de d'Industrie du Gabon (BICIG), a branch of BNP France
- Union Gabonaise de Banque (UGB), a branch of Credit Lyonnais
- The Banque Gabonaise et Française Internationale, (BGFI), formerly Banque Paribas
- Citibank
- The French Intercontinental Bank (FIBA) with offices in Libreville, Brazzaville, and Paris is in the process of being closed.

In addition to the commercial banks, there are:

- The Gabonese Development Bank (BDG)
- The Fund for Development and Expansion (FODEX), a parastatal organization funded by the African Development Bank intended to provide financing for small and medium-sized firms (PME) owned by Gabonese nationals. This project has not been successful and is not very active.
- The Banque Gabonaise de Credit Rural, which offers loans for agriculture

D - How To Finance Exports/Methods Of Payment:

Payment is usually made by irrevocable letters of credit.

IX - BUSINESS TRAVEL

The Guide for Business Representatives is available for sale by the Superintendent of Documents, U.S. GOVERNMENT Printing Office, Washington, D.C. 20402; TEL. (202) 512-1800; FAX (202) 512-2250. Business travelers to Gabon seeking appointments with U.S. Embassy in Libreville should contact the Commercial Section in advance. The Commercial Section can be reached by telefax: (241) 74 55 07 or tel: (241) 74 34 92

A - Business, Customs and Visas

U.S. visitors to Gabon are advised to obtain a visa at the Gabonese Embassy in Washington, D.C. or at the Gabonese Mission to the United Nations in New York. From time to time visitors have been able to obtain a visa at the airport upon arrival, but this approach is not recommended. Proof of yellow fever inoculation is required.

B - Holidays

The following holidays are observed in Gabon:

January 1 (New Year's Day)
 Easter Monday, in March or April
 May 1 (Labor Day)
 Pentecost Monday, in May or June
 August 15,16,17 (Ascension and Gabonese Independence Day), November 1 (All Saint's Day)
 December 25 (Christmas)

The two lunar Muslim holidays of Id El Fitr and Id Al Adha (the last day of Ramadan) are celebrated in Gabon, but their dates are uncertain in advance.

The U.S. Embassy also observes some U.S. federal holidays.

C - Business Infrastructure

International airlines serving Libreville are Air Afrique, Air France, Air Gabon, Cameroon Airlines, Equatorial Airlines of Sao Tome and Principe, Lina Congo, Royal Air Maroc, and Swissair. There are flights six days a week to Europe, with flight time of about 7 hours. There are flights to nearby capitals and to Johannesburg. Travel to the United States necessarily includes a stop-over (often lengthy) in Europe. Libreville International Airport is not far from the downtown. Domestic air services link Libreville to provincial capitals such as Port-Gentil, Franceville and Oyem.

Taxis are available in Libreville. Car rental is available but expensive. The principal hotels offer bus service to and from Libreville Airport for international flights.

Local and long distance telephone service is available 24 hours a day. Telephone rates are much higher than those in the U.S. Gabon is integrated with international calling services of AT&T and of MCI. Local connection to the Internet is available through OPT (the telecom parastatal) or a few local providers.

French is Gabon's official language. English is not widely spoken. Hotels can arrange translators.

D - Hotels

The five principal hotels in Libreville are the Okoume Palace Intercontinental, the Meridien Re-ndama, the Hotel Atlantique, the Novotel Rapotchombo, and the Monts de Cristal.

Okoume Palace: Managed by Intercontinental Hotels, the Okoume Palace is a 500-room hotel with some apartments, located relatively close to the airport. It has a pool, tennis and squash courts, and a fully equipped health spa with aerobics classes. There are two restaurants.

Tel. (241) 732023 Fax: (241) 731629

Meridien Re-Ndama: Managed by the French group Meridien, this hotel is near the town center, south of the U.S. and French embassies on the main road. It has a well-situated pool on the beach side of the hotel and two restaurants. Tel. (241) 742929 or 766105 Fax: (241) 742924

Hotel Atlantique: Situated on the best beach front in Libreville, Atlantique is about 200 yards from the airport. It is known for its sumptuous Sunday brunches on its beachfront veranda. It has a pool. It is located about 10 km north of the U.S. Embassy. Telephone (241) 732446 Fax: (241) 732436

Novotel Rapontchombo: Only 1 block from the U.S. Embassy, it is on the water but has no usable beach front. It has a pool, casino, restaurant and bar ambiance, but is less luxurious than the Meridian and the Intercontinental.

Tel (241) 764742 Fax: (241) 761345

Monts de Cristal: Situated in Centre-ville, about 1 km from the U.S. Embassy, it is comfortable, not ostentatious and has 49 rooms and a good restaurant. Tel: (241) 762523

E - Health and Food

Malaria is endemic in Gabon. Malaria suppressants are strongly recommended and should be begun prior to arrival. Travelers should drink only bottled water or bottled drinks. Hygiene at restaurants is generally good.

Some restaurants are listed below. Even if the bill is service compris, tips are allowed and warmly recommended.

Le Chambertin: good atmosphere, French restaurant, decorated like a wine cellar, complete dinner, including wine, around 40 USD/person. Tel:737613

Chez Marie: popular place with good French food or pizza, located on the Bord de Mer, moderate price 25 - 30 USD/person. Tel: 732490

Le Gourmet: serves good French food. Located in quartier Glass, before the SGS office, across from the American School, price 40 USD/person. Tel: 763739

Michel de Gonfaron: delicious food, French cooking, pleasant atmosphere, on the Kango Road off the Bord de Mer after the Supergos store. 50 USD/person. Tel: 762476

La Tomate: good food at a good value, pasta and fish, quartier Louis, 20/25 USD/person. Tel: 736477

CHAPTER X - APPENDICES

Appendix A - Country Data

Population: 1,100,000
Population growth rate: 2.7 percent
Religions: Christian, Muslim, indigenous Animism
Government system: legislative: bicameral National Assembly and Senate. The Senate was elected for the first time in 1996.
Languages: French (official) and various Bantu languages
Workweek: 40 hours - Monday to Friday, generally with a lengthy lunch break

Appendix B - Domestic Economy:

	1996	1997	1998
	(in USD millions unless noted)		
GDP	5,646	5,149	4,480
GDP growth rate (pct.)	3.8	4.1	2.1
GDP per capita (USD)	5,132	4,681	4,314
Govt. spending/ GDP (pct.)	23.4	25.1	26.4
Con price inflation (pct.)	0.7	4.1	2.1
Unemployment (pct.)	20.0	21.0	21.0
Foreign Exchange Reserves	na	na	na
Ave. Exchange Rate for USD	512	584	590
Debt Service Ratio (pct.)	10.2	11.6	19.8
U.S. mil/econ. Assistance	2.0	2.0	2.0

Appendix C - Trade

Total Gabonese exports	3,361.0	3,024.0	2,042.0
Total Gabonese imports	1097.0	1,104.0	1237.0
US total imp. from Gabon	1,949.1	2,201.0	1,268.3
US total exports to Gabon	56.1	83.7	62.4
US share of Gabonese imp.	5.0	8.0	8.0

(sources: IMF and government statistics)

The Government has reported a dramatic decrease in real GDP growth in 1999 of negative 9.6 percent. Oil production continues to decrease significantly and debt burden and arrears is a problem.

The Embassy expects some increase of U.S. goods and services in the telecommunications sector. The United States traditionally runs a trade deficit with Gabon. In 1998, U.S. products represented 8 percent of total Gabonese imports, second to France, which supplied almost 40 percent. In 1998 the U.S. purchased 68 percent of Gabonese exports, reflecting that most of the Gabon crude oil is sold in the U.S., because it matches the needs of Gulf of Mexico refineries.

Since the bulk of U.S. imports from Gabon relate to the oil industry, the value tends to fluctuate with the level of activity in the petroleum sector. In 1998, Gabonese exports to the United States, which consisted almost entirely of crude oil, were US \$1.268 billion, creating a bilateral merchandise trade deficit for the United States of US \$ 1.206 billion.

Appendix E - U.S. and Country Contacts

Direction Generale du Commerce
Mr. Luc Pandjo, General Director
Ministry of Commerce
B.P. 561, Libreville, Gabon
Telephone: (241) 760991 - (241) 745925
Telefax: (241) 765838

Direction Generale des Contributions Directes
Ministry of Finance
B.P 37
Libreville, Gabon
Telephone: (241) 761644
Telefax: (241) 765974

Caisse Nationale de Securite Sociale
Direction Generale
B.P. 134
Libreville, Gabon
Telephone: (241) 76267

Gabonese Chamber of Commerce
 Mr. Joachim Boussamba Mapaga, President
 Mr. Dominique Mandza, Secretaire General
 B.P. 2234 - Libreville - Gabon
 Telephone: (241) 722064
 Telefax: (241) 746477

Price Waterhouse/FidAfrica
 Mr. Jacques Hansler, Directeur Associe
 B.P. 2164 - Libreville - Gabon
 Telephone: (241) 762371
 Telefax: (241) 744325

Hsd - Ernst & Young
 M. Claude-Henri Jouet, Directeur General
 B.P. 2278 - Libreville - Gabon
 Telephone: (241) 762067/742168
 Telefax: (241) 746130

Commercial banks and their correspondents in the U.S.

BICIG, B.P. 2241 - Libreville - Gabon
 Telephone (241) 76 26 13
 Telefax (241) 744034
 U.S. Correspondent:
 Banque Nationale de Paris
 P.O. Box 127 Church Street Station - New York - NY 10008 - tel:(212) 4159400
 fax (212) 4159629
 Or, Citibank NA, 399 Park Avenue, New York, N.Y. 10043
 Tel: (212) 2232681 fax (212) 2232681

UGB, B.P. 315, Libreville, Gabon
 Tel: (241) 777000
 Fax: (241) 764616
 U.S. correspondent:
 Credit Lyonnais - 1301 Avenue of Americas, New York, NY 10019
 Telephone: (212) 2617000 or 5862440
 Fax: (212) 5863279

Citibank- Gabon
 B.P. 3940, Libreville, Gabon
 Telephone: (241) 730383/731092 - fax: (241) 733786
 U.S. correspondent:
 Citibank NY - 399 Park Avenue, New York, NY 10043
 Telephone: (212) 5591000 - fax: (212) 7930690

Banque Gabonaise et Francaise Internationale (former Paribas)
 B.P. 2253 - Libreville - Gabon
 Telephone: (241) 744456 - fax: (241) 760134
 U.S. correspondent:

Paribas North America
The Equitable Tower - 787 7th Avenue, New York, NY 10019
Telephone: (212) 8413000 - fax: (212) 8413555

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